

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6663

BILL NUMBER: HB 1121

NOTE PREPARED: Dec 31, 2009

BILL AMENDED:

SUBJECT: State Contracting with Disabled Veterans.

FIRST AUTHOR: Rep. Goodin

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a 3% price preference for a service-disabled veteran small business for purposes of state public works contracts, state purchasing of goods and services, and state highway contracts.

The bill also establishes the Governor's Commission on Service Disabled Veteran Small Business. This bill provides that the Commission must establish programs and set annual goals for the use of service-disabled veteran small businesses in state contracts.

The bill also creates the Office of Deputy Commissioner for Service Disabled Veteran Small Business Development within the Department of Administration (IDOA). The bill requires the IDOA to adopt administrative rules to ensure that certain goals established by the Commission are met.

Effective Date: July 1, 2010.

Explanation of State Expenditures: *Disabled Veteran Pricing Preference:* Under the bill, veterans are provided a 3% price preference in request for proposals (RFPs). This bill may increase state expenditures to the extent a veteran's more expensive RFP is selected over an otherwise lowest competitive bid as a result of the 3% price preference. Currently, the Indiana Department of Administration does not have a reporting mechanism in place to quantify which contracts are submitted by veterans. The impact this bill may have on state expenditures is indeterminable.

Governor's Commission on Service Disabled Veteran Small Business: This bill will increase state expenditures to provide per diem and travel reimbursement to members of the Commission. Actual increases

in expenditures will depend on which individuals are selected to serve on the Commission, how often they attend meetings, and how often meetings are called by the chairperson. Additionally, the IDOA is required to staff the Commission. Increases in staff workload would depend on how often the Commission meets.

The bill also allows a contract-awarding state agency to break contract with contractors who fail to meet certain notification provisions in the bill. The IDOA is allowed to settle grievances between contractors and awarding state agencies through informal procedures. This may increase the workload of the IDOA to provide the mediation to the extent there are differences between state agencies and contracting authorities. Actual increases are indeterminable.

Office of the Deputy Commissioner for Service Disabled Veteran Small Business Development: The bill creates the Office of the Deputy Commissioner for Service Disabled Veteran Small Business Development. The bill is silent on any salary that is to be provided for this new position. If additional salary is provided to a current employee or a new employee is hired, state expenditures will increase. Actual increases will depend on the salary established for the Deputy Commissioner as well as any resources that are provided to assist the Deputy Commissioner in fulfilling the duties established in the bill.

Additional Information: The IDOA reports a similar contract preference, the Buy Indiana program (implemented in 2004), has had no discernable effect on state expenditures. IDOA gives a preliminary contract preference to RFPs that qualify for a preference. However, it was reported the Department negotiates with these preliminarily selected RFPs to negotiate lower bids. Additionally, it was reported that a majority of the businesses that would be eligible for a veteran's contract preference would also be eligible for the Indiana Small Business price preference of 15%. Only one price preference can be claimed per RFP. It was assumed that most veteran RFPs who qualify for both price preferences would opt for the Indiana Small Business preference.

IDOA reports there are 975 active public works contracts totaling \$59 M for capital improvement and preventative maintenance projects. These figures do not include the leasing of properties used by state agencies outside of the Indianapolis Government Center complex or university projects. The IDOA Procurement Division currently maintains 3,000 state contracts that exceed \$100,000 and are worth a minimum of \$30 M.

Expenses for Commission members who are also members of the General Assembly are to be paid by the Legislative Services Agency. The IDOA is responsible to pay the per diem and travel reimbursement for Commission members who are neither state employees nor members of the General Assembly.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected:

Information Sources: Connie Smith, IDOA; Chris Kiefer, INDOT; Rob Wynkoop, IDOA.

Fiscal Analyst: Bill Brumbach, 232-9559.